

AUSTRALIAN INFRASTRUCTURE FINANCING FACILITY FOR THE PACIFIC

SUBMISSION TO THE
DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

15 March 2019

INTRODUCTION

1. ANZ Banking Group Limited (**ANZ**) appreciates the opportunity to make a submission to this Department of Foreign Affairs and Trade (**DFAT**) review of an Australian Infrastructure Financing Facility for the Pacific (**AIFFP or the Facility**).
2. We acknowledge the important role Australia can play in supporting the infrastructure priorities of Pacific countries.

ANZ IN THE PACIFIC

3. ANZ is the largest bank in the Pacific where our history dates back 138 years. We play an important role in connecting our customers in 12 Pacific markets to the growing trade and investment opportunities in the region, as well as providing industry insight and links into our home markets of Australia and New Zealand. Our bankers have deep local expertise and understand the crucial role of infrastructure in achieving a faster pace of economic growth and a better standard of living for Pacific Islanders.

AIFFP INFRASTRUCTURE PRIORITIES

4. The proposed focus on infrastructure in transport, energy, water and telecommunications is sensible. Based on ANZ's knowledge and experience, viable projects in these sectors could include:
 - **Transport** projects oriented towards generating tourism and trade benefits for Pacific countries. For example:
 - i. Upgrading Nausori Airport, Fiji
 - ii. Subsidising air travel from Australia, Samoa
 - iii. A superfast ferry from Apia to Savaii, Samoa
 - iv. Connectivity project, Kiribati
 - **Energy** projects to improve electrification. For example:
 - i. Tonga Renewable Energy Project (TREP), Tonga
 - ii. Tina River Hydropower project, Solomon Islands
 - iii. Rural electrification, Fiji
 - iv. Sunrise LNG, Timor Leste (Funding needed)

- **Water** projects. For example:
 - i. Tibar Port, Timor Leste (Funding needed)
 - ii. South Tarawa water supply project, Kiribati
- **Telecommunications** projects. For example:
 - i. Undersea cable, Solomon Islands

5. Several additional sectors should be considered:

- **Housing**
 - i. Affordable housing project, Vanuatu
- **Education**
 - i. University of South Pacific, Tonga campus
- **Finance**
 - i. Strengthen counter-terrorism financing and anti-money laundering systems, Vanuatu

8. In ANZ's view, design of the AIFFP should include:

- **Utilising local capacity and capability:** Australian-based companies or other international firms undertaking infrastructure projects in the Pacific should be encouraged to partner with local companies and communities to ensure projects target local needs and aim to deliver broader social and economic benefits. This will ensure a much deeper return on financial and non-financial investment, especially for future resources and mining work. Some projects financed and delivered by overseas parties have failed to engage with local companies and communities. For example, labour, equipment and capability is flown in. This can leave Pacific nations in debt and with an asset which may not be fit for purpose and offers little broader community benefit (e.g. skills and capability transfer or economic spillover).
- **Flexibility:** The facility should have flexibility to be used as part of wider consortia or public-private partnership arrangements (subject to meeting criteria). Engagement with regional Sovereign Wealth Funds, Trust Funds and Provident Funds etc. – potentially via the Pacific Islands Investment Forum – should also be considered. This will ensure maximum output from funds invested. The facility should also enhance operational compliance through investments in IT infrastructure in the region. This will allow best practice in areas such as anti-money laundering (AML), counter-terrorism financing (CTF)

and financial crime monitoring.

- **Governance:** Ongoing strict governance will be critical. This includes the rules around how decisions are made on projects, focussing on 'real' economic benefit, including filters to ensure the model works without political or other influence.
- **Private sector involvement:** DFAT/the Facility should have an ongoing relationship with the Pacific private sector. This can be via business councils, lawyers and/or financial services providers. The Government's current engagement with the private sector is positive and should continue to assist with the final design of the Facility, and once operational, in ensuring funding is deployed efficiently and effectively.
- **Land reform and access to land:** In some Pacific countries long-standing customs and traditions around land access may need to be addressed and can lead to delay in delivering infrastructure.

9. Finally, we note that ANZ is engaged with the Trilateral Partnership initiative entered into between the Australian, United States and Japanese governments and designed to meet infrastructure needs in the broader region). This is complementary to the AIFFP.
10. ANZ would be happy to discuss anything raised here in more detail. If you have any queries in relation to this submission, feel free to contact **Paul Richards**, ANZ Head of Structured Export Finance, +61 2 8937 6051

ENDS